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*CDFC*

1985

## *The Massachusetts Community Development*

*Finance Corporation (CDFC) is a state-owned  
venture capital company which provides  
flexible financing for viable businesses and  
real estate development projects when there is  
a clear public benefit.*

*CDFC investments are made in conjunction  
with Community Development Corporations  
(CDCs) which are organized to promote  
economic development in targeted areas of the  
Commonwealth.*

*In 1975, Governor Dukakis and the  
Massachusetts Legislature enacted a law  
creating CDFC, a public corporation with a  
nine-member board of directors which includes  
representatives of government, business,  
organized labor and community groups.*



*John E. Marston,  
Chairman*



*Charles T. Grigsby,  
President*

*Cover Photographs:  
Lawrence Textile Shrinking Co., Inc.  
Plymouth County Medical Laboratory, Inc.  
Illustration: One Arcadia Place  
Design: Bonita Graphics  
Photography: Greig Crauna*



CDFC projects grew and prospered in 1985, bringing economic benefits to communities throughout the Commonwealth. Jobs were created in neighborhoods with neglected economies. Businesses thrived and expanded. Buildings that were once vacant are now renovated and in use again. Our investments accomplished a great deal this year, and the results underscore the need for continued investment in economically troubled areas.

In 1985, we committed \$3,263,106 to twenty-seven new projects that offer public benefits, while investments made in the past continued to do well. Several projects still in the planning stage last year are now completed, and the returns they provide are clear.

Family Foodland in Roxbury continued to grow.

Roxbury residents now have a full-line community supermarket, owned by local entrepreneurs who employ more than 100 people from the area. A new confidence has been instilled in an economically distressed area by the success of this local business. CDFC recognized the benefits this project could bring to Roxbury, and our commitment of \$185,000 encouraged other investors to support this enterprise.

Family Foodland is one example of CDFC's Venture Capital Program. In 1985, we made ten loans and investment commitments totalling \$1,285,000 to new businesses in Adams, Fitchburg, Boston, Lawrence, Haverhill and Chicopee. These are businesses that could not attract all the traditional financing they needed to start-up or expand because they are neither fast growth nor high-tech ventures. They do, however, offer steady work at prevailing wages for area residents, and that is a valuable return.

CDFC invests in neighborhoods as well as businesses.

Community-based development has demonstrated that a key building renovated for apartments, shops or offices can help turn a troubled neighborhood into a productive, safe place to work and live. Two projects we undertook last year offer successful examples.

The Boston Housing Partnership received important support through a CDFC investment of half a million dollars that provided the equity for six CDCs to rehabilitate 376 units in Dorchester, the Fenway, Allston-Brighton, Fields Corner, Jamaica Plain and Roxbury. This investment helped create affordable rental housing and put several abandoned buildings back into service, thereby improving the neighborhoods.

Our participation in the Industrial Demonstration project helped a local community attract business through financing a new industrial facility. The CDFC \$750,000 guarantee enabled six local banks to purchase a \$925,000 revenue bond to construct two industrial buildings in North Adams. The buildings were completed this year and leased to tenants who will provide 70 jobs to local residents.

In total, CDFC created or rehabilitated a record 642 housing units and 72,778 square feet of commercial space in 1985. Through our Community Development Program, we committed \$1,817,856 to eight separate projects.

But CDFC has found that it does not always take a large investment to help bring about community economic development. A small loan can make a big difference to a small business. And these small businesses can bring valuable services to their communities.

Last year, CDFC recognized a good business plan that was developed by an entrepreneur for her company, Plymouth County Medical Laboratory, a medical testing facility in Brockton. A CDFC loan guarantee of \$25,000 helped this business expand, and now, in 1985, the company continues to grow and has created 20 new jobs for local residents.

This year, CDFC's Small Loan Guarantee Program made commitments of \$160,250 to nine Massachusetts businesses which have the potential to provide jobs, economic strength, and vital services to their communities.

Loan guarantees are one way that CDFC attracts funds for worthy projects from other public and private sources. In 1985, CDFC's loan guarantees and investments leveraged more than \$27 million, effectively increasing the impact of our investments in each of our programs.

By encouraging partnerships between the public and private sectors, CDFC contributes to a growing community development network. We honored our partners in this network through the establishment of the Commonwealth Award for Excellence in Community Economic Development. The selection committee named three honorees, F. Austin Miller, Pat Lewis Sackrey, and Jorge Hernandez at the first annual Awards Dinner in January. More than 350 people gathered to recognize the professionalism and commitment of these individuals. This celebration was also an opportunity to honor the CDCs which are crucial to the success of any CDFC investment.

During the next year, an important goal will be the recapitalization of CDFC. New funding for our program is provided by a bill, H.6270, currently under consideration by the Massachusetts legislature. This bill will increase our capital by \$15 million and allow CDFC to expand financing in targeted areas.

In addition, the newly-formed Thrift Institutions Fund for Economic Development has selected CDFC as one of four agencies to originate and service loans for the Thrift Fund. This confidence in CDFC's lending experience will allow us to direct additional financing resources to distressed communities in Massachusetts.

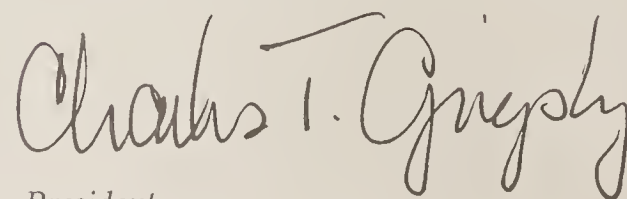
Together, these new resources will help CDFC continue to develop worthwhile projects and assist new businesses, as well as help older, established businesses. Throughout the state, our investment programs will give projects with important public benefits the financial support they are unable to get in the private sector. This support creates new jobs, revitalizes neighborhoods, and stimulates local economic growth. In return, CDFC receives both a direct yield and economic benefits for the communities and people of the Commonwealth.

John E. Marston,



Chairman

Charles T. Grigsby,



President



*CDFC offers three investment programs for*

economic development—the Venture

Capital Program, the Community

Development Program, and the Small

Loan Guarantee Program. CDFC funds

are available to those projects which

have a clear public benefit, can dem-

onstrate the potential for financial viabil-

ity, are unable to meet their capital needs

in the traditional markets, and have the

sponsorship of an eligible CDC.

# Venture Capital Program



*Video Resources, Inc., Boston, MA*

*Video Resources, Inc. produces "Around Town!", Boston's only video calendar of entertainment information. This video production company needed working capital to increase its production capacity, develop programming, and expand its distribution*

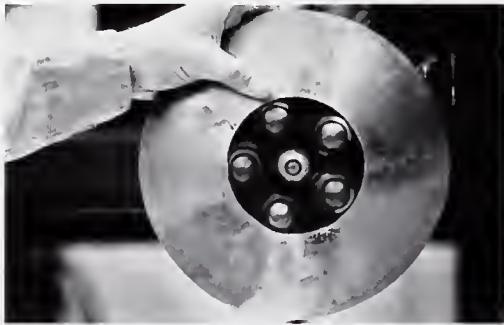
*network. CDFC's early commitment of \$150,000 helped Video Resources' founders, Jane Morton and Susan Bridge, raise substantial private equity. CDFC's financial backing will help the company reach its goal of building a regional communications network.*





*Inquilinos Boricuas en Accion (IBA) CDC sponsored this proposal, and will receive valuable benefits from the company, including training, internships, and access to broadcasting equipment for its own video training program.*

*The Venture Capital Program provides debt and equity financing to small businesses. The preferred investment range is \$75,000 - \$300,000 with CDFC providing up to one-third of the total project financing. CDFC will often subordinate its loans to secure the participation of other public and private financing sources.*



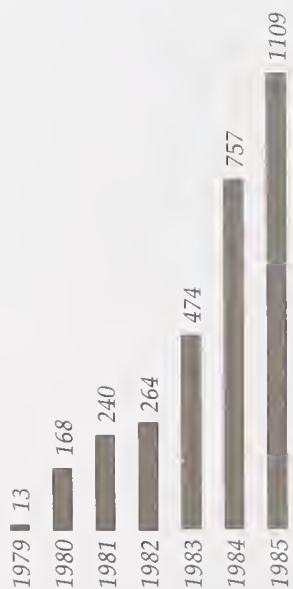
Tomsun Foods, Inc., Franklin County CDC (top, left): This tofu manufacturer reported sales of \$2.4 million this year and currently employs 41 area residents.

Family Foodland, Inc., Greater Roxbury DC (top, right): A key CDFC investment helped this store start-up in 1983. Family Foodland is now a major local employer, providing a vital service to Roxbury.

Cybermation, Inc., Riverside Cambridgeport CC (bottom, right): A manufacturer of computer-aided cutting tools, this high-tech firm's sales have grown to \$10 million in 1985.

Lawrence Textile Shrinking Co., Inc., Lawrence, MA (opposite): In 1984, Lawrence Textile became the only textile processor in the country to receive designation as a Foreign Trade Zone. This licensing led to rapid sales growth for the company, which treats textiles for apparel, home furnishing and industrial markets.

Recognizing the company's need to expand and hire new employees, CDFC made a \$100,000 loan for working capital and leasehold improvements. The Arlington CDC sponsored this financing proposal, since Lawrence Textile is a major, local employer committed to hiring from the Arlington area.



Jobs Created or Retained Through CDFC Investments







# Community Development Program



## *Northeastern Townhouses, Somerville, MA*

*The Northeastern Townhouses in Somerville provide a model for developing affordable housing. Through a joint venture by the Somerville Corporation and architects Donham & Sweeney, this partnership con-*

*structed thirty-two attractive single-family homes on a vacant city lot.*

*A construction loan of \$250,000 from CDFC was essential for this project to reach its goal of providing affordable homes to low and moderate income families. The CDC assembled a workable financing package*





## *The Community Development Program*

offers flexible, short-to-medium term financing for CDC-sponsored real estate projects. The program is designed to assist CDCs in developing affordable housing, revitalizing commercial and industrial property, and strengthening their developmental and financial capacity. CDFC can provide 20% of a project's cost, up to \$250,000, for financing specific and recoverable development expenses.

*through the participation of Shawmut County Bank and local, state, and federal agencies. With low-interest mortgages and federal grant funds, these families are now able to own their homes and strengthen their neighborhood.*



*Pierce Building, Dorchester Bay EDC (top, left): Innovative CDFC financing helped rehabilitate this building into retail space and ten artists' lofts.*

*Villa Victoria Community Center, IBA CDC (top, right): This former church in the South End is being redeveloped into a performance and cultural center for the neighborhood.*

*Boston Housing Partnership, (bottom, left): CDFC's early participation in the BHP will enable six CDCs to create 376 units of affordable housing in their areas.*

*One Arcadia Place, Dorchester, MA (opposite): After three years of work, the Fields Corner CDC is now developing the Municipal Building, a former Dorchester police station and nationally designated historic structure. Renamed One Arcadia Place, it will house eleven artists' lofts, offices and a restaurant.*

CDFC's key bridge loan of \$275,100 contributed to the outstanding public and private financial effort to restore this deteriorating building. With a total \$1.9 million of financing, One Arcadia Place is a significant investment in the Fields Corner neighborhood, and adds to a growing pride and community spirit.









# Small Loan Guarantee Program



## *Chesterfield General Store, Chesterfield, MA*

*The Chesterfield General Store provides a vital retail service of groceries and gasoline to this rural community. A CDFC guarantee of \$15,000 secured a loan from Northampton*

*Institute for Savings. The project, sponsored by the Hilltown CDC, includes store renovations and expansion, and created the first office space in the area. A portion of this space is leased by the Hilltown CDC.*





## *The Small Loan Guarantee Program*

broadens the availability of commercial credit to very small businesses located in CDC target areas. CDFC developed the program to extend its financing capabilities to those concerns requiring smaller amounts of capital through a streamlined process that minimizes processing time and administrative costs. CDFC's loan to the CDC provides the cash collateral to secure a CDC guarantee of 50%, up to \$25,000, of an approved bank loan to a small business.

*Atlantic Clothing Corporation, Chelsea, MA*

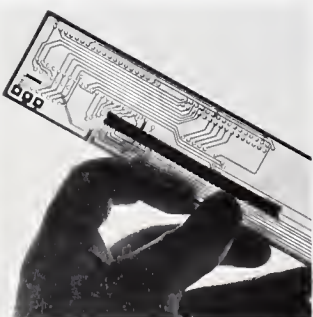
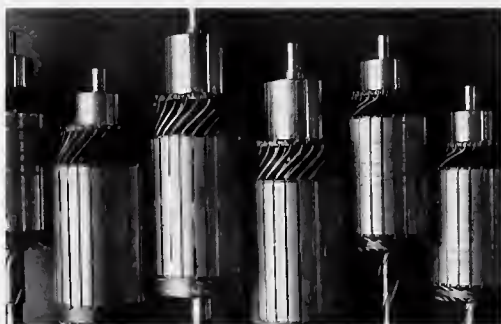
*(opposite): Atlantic Clothing Corporation manufactures men's and women's coats for wholesale and retail distribution, and has been experiencing rapid growth. With the purchase of a larger building in Chelsea, the company needed funds for relocation and expansion. CDFC's \$25,000 loan guarantee of a Bank of Boston credit line provided the working capital Atlantic Clothing needed to grow. The planned expansion will result in 25 new jobs this year.*

*This project brought about the formation of the Greater Chelsea CDC, which is working to improve the local economy. By expanding the CDC network, CDFC can reach its goal of helping solve economic problems throughout the state.*

*United Auto Electric, Inc., Cleghorn NDC (top, right): A CDFC loan guarantee contributed to the growth of this Fitchburg company, which repairs and markets automotive electrical systems.*

*Amherst Electronic Instruments, Inc., Hilltown CDC (bottom, left): CDFC provided the seed financing which allowed this electronics manufacturer to develop new video transmission technology.*

*Heritage Cabinets, Inc., Cleghorn NDC (bottom, right): Sales for this manufacturer of custom kitchen cabinets grew 30 per cent this year, providing jobs for 33 local residents.*







# Annual Awards

*This first annual gathering of 350 people was a highlight of 1985 for CDFC, showing the breadth of support for the agency and its programs. Bringing together CDCs, the private sector, and state and local government officials, this event honored those committed to community development.*

*Winners of the Commonwealth Awards for Excellence in Community Economic Development included CDC directors, F. Austin Miller, Pat Lewis Sackrey and Jorge Hernandez. Special recognition was given to former Representative Mel King, State Street Bank Chairman William Edgerly and to Governor Michael S. Dukakis for their dedication to community-based development. But the real winners were the state's communities, who directly benefit from the commitment of these individuals.*



*Pat Lewis Sackrey, Executive Director of the Hilltown CDC*



*Jorge Hernandez, Executive Director of Inquilinos Boricuas en Accion (IBA) in the South End.*



*"Community economic development works because of the leadership and commitment of these individuals...Through these public-private partnerships we can bring positive changes to neighborhoods throughout the Commonwealth."*

*William Edgerly*



*William Edgerly, Chairman of the State Street Boston Corporation*



*Governor Dukakis shown here with CDPC Chairman John E. Marston*



*Former representative Mel King*



*F. Austin Miller, Director of Western Massachusetts Operations for Greater Boston Community Development, Inc., and formerly Director of the Brightwood Development Corporation.*

Investment Portfolio and Loan Commitments

Project	CDFC Investment	Project	CDFC Investment
Applied Molding, Inc. Fitchburg	\$ 150,000	Knight Tool Co., Inc. Haverhill	250,000
Arlington Small Loan Program Lawrence	30,000	Lawrence Textile Shrinking Co., Inc. Lawrence	100,000
Back of the Hill Modular Housing Roxbury/Boston	50,000	Lyman School East Boston	28,500
Baltimore Brush Building Roxbury/Boston	426,000	Midtown Plaza Winchester Square/Springfield	164,756
Bollio Development Corporation Roxbury/Boston	78,397	Neighborhood Partnership Holyoke	15,700
Boston Bank of Commerce Boston	800,000	Northeastern Townhouses Somerville	250,000
Boston Housing Partnership Boston	500,000	North End Cooperative Springfield	110,000
Boston Shipyard Corporation East Boston	500,000	One Arcadia Place Fields Corner/Boston	275,100
Brockton Small Loan Program Brockton	25,000	Pierce Building Dorchester/Boston	98,450
ChemDesign Corporation Fitchburg	250,000	Portuguese American Publications, Inc. Fall River	90,000
Cleghorn Small Loan Program Fitchburg	50,000	PracTek Associates, Inc. Chicopee	325,000
Contec, Inc. Adams	150,000	Slattery's Fitchburg	75,000
Cybermation, Inc. Cambridge	229,357	South End Press South End/Boston	200,000
Dimock-Bragdon Housing, Inc. Jamaica Plain/Boston	150,000	34 Prince Street Apartments Salem	16,000
Family Foodland, Inc. Roxbury/Boston	185,000	Tomsun Foods, Inc. (formerly New England Soy Dairy) Greenfield	200,000
Franklin County Small Loan Program Greenfield	15,000	Video Resources Boston	150,000
Greater Chelsea Small Loan Program Chelsea	25,000	Villa Borinquen Corporation Springfield	158,274
Greater Roxbury Small Loan Program Roxbury/Boston	5,750	Villa Victoria Community Center South End/Boston	120,000
Hampshire Printed Fabrics, Inc. Lawrence	100,000	York Wholesale Co., Inc. Haverhill	575,000
Hardman Park Industrial Building North Adams	750,000		
Hilltown Small Loan Program Chesterfield	124,900	Total	<u>\$ 7,796,184</u>



# Accountants' Report

August 29, 1985

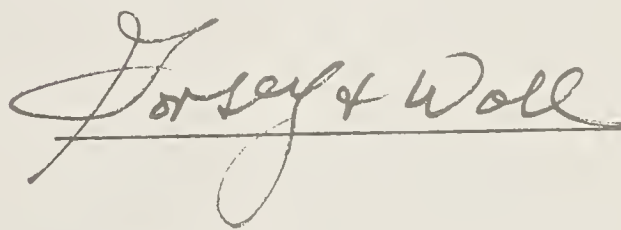
Board of Directors  
Massachusetts Community  
Development Finance Corporation  
131 State Street  
Boston, MA 02109

Gentlemen:

We have examined the balance sheet of Massachusetts Community Development Finance Corporation at June 30, 1985 and June 30, 1984, and the related income statement and statement of changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 3, portfolio investments amounting to \$4,032,500 have been valued at fair value as determined by management of the Corporation. We have reviewed the procedures applied by management in valuing such securities and have inspected underlying documentation. The procedures appear reasonable and the documentation appropriate; determination of fair value involves subjective judgment which is not susceptible to substantiation by auditing procedures.

In our opinion, subject to the effects, if any, on the financial statements of the valuation of securities as described in the preceding paragraph, the above-mentioned financial statements present fairly the financial position of Massachusetts Community Development Finance Corporation as of June 30, 1985 and June 30, 1984, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Gorsey & Woll  
Certified Public Accountants

Balance Sheet

	June 30 1985	June 30 1984
Assets		
Cash	\$ 164,202	\$ 11,567
Marketable Securities and Short-Term Investments (including interest receivable of \$104,863)	5,285,914	6,909,946
Accounts Receivable	8,329	—
Prepaid Expenses	—	2,212
Investment in Portfolio Securities:		
Notes and Debentures, (net of allowance for unrealized losses of \$ 404,650) (Note 3)	3,359,600	2,065,326
Capital Stock (net of allowance for unrealized losses of \$ 482,188) (Note 3)	672,900	645,900
Deposits	195,512	—
Advances	10,000	25,000
Total Investment in Portfolio Securities	4,238,012	2,736,226
Total Non-Fixed Assets	9,696,457	9,659,951
Furniture, Fixtures and Equipment	50,514	42,411
Equipment under Capital Lease	14,243	11,580
Leasehold Improvements	9,500	9,500
Total	74,257	63,491
Less-Accumulated Depreciation and Amortization	25,810	19,339
Net Fixed Assets	48,447	44,152
Total Assets	\$ 9,744,904	\$ 9,704,103
Liabilities and Stockholders' Equity		
Accounts Payable	\$ 187,220	\$ 101,260
Accrued Payroll Taxes	3,362	1,764
Obligation under Capital Lease	13,773	8,567
Total Liabilities	204,355	111,591
Commitments (Note 4)		
Capital Stock — Common:		
Authorized, issued and outstanding, 1,000,000 shares, \$10 par value	10,000,000	10,000,000
Deficit	459,451	407,488
Stockholders' Equity	9,540,549	9,592,512
Total	\$ 9,744,904	\$ 9,704,103

The accompanying notes are an integral part of this statement.

Income Statement

	June 30 1985	June 30 1984
Investment Income:		
Interest on Marketable Securities and Short-term Investments	\$ 616,522	\$ 718,445
Interest on Portfolio Investments	271,639	219,875
Capital Gains on Securities	—	51,052
Recovery of Prior Losses	89,488	15,354
Total Income	977,649	1,004,726
Expenses:		
Salaries and Related Expenses	255,455	285,275
Consulting and Other Professional Fees	302,672	213,392
Occupancy Expense	93,444	87,067
General and Administrative Expenses	109,015	64,414
Total Expenses	760,586	650,148
Net Investment Income	217,063	354,578
Realized and Unrealized Loss on Investments		
Realized Loss on Liquidated Investments	—	(2,244,242)
Net Transfers to Realized Loss (Unrealized Loss) on Investments (Note 5)	(270,581)	691,253
Net Loss from Operations and Investments	(53,518)	(1,198,411)
Add-Gain on cancellation of capital lease	1,555	—
Net Loss	(51,963)	(1,198,411)
Retained Earnings (Deficit), at beginning	(407,488)	790,923
(Deficit), at end	\$ (459,451)	\$ (407,488)

The accompanying notes are an integral part of this statement



# Statement of Changes in Financial Position

	June 30 1985	June 30 1984
<i>Sources of Funds:</i>		
Net Investment Income	\$ 217,063	\$ 354,578
Add-non-cash charges to income:		
Depreciation and Amortization	13,676	9,813
Gain on Cancellation of Capital Lease	1,555	—
Funds Derived from Operations	232,294	364,391
Decrease in Marketable Securities and Short-term Investments	1,624,032	868,631
Decrease in Prepaid Expenses	2,212	(2,212)
Increase in Accounts Payable and Accrued Liabilities	87,558	(38,400)
Increase in Obligation Under Capital Lease	5,206	(1,746)
Total Funds Provided	\$ 1,951,302	\$ 1,190,664
<i>Application of Funds:</i>		
Increase in Cash	\$ 152,635	\$ (108,048)
Increase in Accounts Receivable	8,329	—
Investments in Portfolio Securities	1,772,367	1,275,456
Acquisition of Fixed Assets	17,971	23,256
Total Funds Applied	\$ 1,951,302	\$ 1,190,664

The accompanying notes are an integral part of this statement.

## Notes to Financial Statements

### Note 1—Organization:

The Massachusetts Community Development Finance Corporation (MCDFC) was formed in 1975 under Chapter 40F of the Massachusetts General Laws to invest in conjunction with local community development corporations. Such investments are restricted to those business enterprises located in geographic areas in Massachusetts defined as economically depressed.

MCDFC issued 500,000 shares of common stock, \$10 par value, to the Commonwealth of Massachusetts on December 8, 1977 and 500,000 shares on March 22, 1978. The proceeds of \$10,000,000 from the sale of common stock may be invested in eligible businesses in Massachusetts or in certain securities as defined in Section 38 of Chapter 29 of the General Laws.

### Note 2—Summary of Significant Accounting Policies:

#### Revenue Recognition:

MCDFC records interest income only to the extent management anticipates such amounts will be collected. Fees for other services are accrued at the time services are provided.

#### Portfolio Investment Valuation:

Notes, debentures and capital stock investments were valued at \$4,032,500 at June 30, 1985, based on the determination by management of MCDFC. The values assigned to the investments are considered to be the amounts which could be realized from an orderly sale or other disposition of the investments.

In making its valuations, management considered the cost of the investments to MCDFC, current and past operating results of the investees, the quoted prices of securities that are publicly traded, and other factors pertinent to the valuation of the investments. There is no public market for most of the investments. Management, in making its evaluation, has in many instances relied on financial data of investees and on estimates by management of the investee companies as to the effect of future developments.

MCDFC has acquired portfolio investments by direct purchase from the issuer under investment representation, and has valued the securities on the premise that they may not be sold without registration under the Securities Act of 1933. The cost of portfolio investments acquired by MCDFC were the result of direct negotiation between MCDFC and the issuer.

#### Marketable Securities and Short-term Investments:

Marketable Securities and Short-term Investments consist primarily of Certificates of Deposit are carried at cost which approximate market. MCDFC intends to hold such investments until maturity and, accordingly, does not recognize gains or losses as a result of holding such securities.

#### Depreciation:

Depreciation is provided for office furniture, fixtures and equipment using the straight-line method over estimated useful lives ranging from three to ten years.

#### Amortization:

Amortization is provided on leasehold improvements and equipment under capital lease using the straight-line method over the term of the leases.

#### Income Taxes:

MCDFC, an instrumentality of the Commonwealth of Massachusetts, is not subject to any state or federal income taxes.

Note 3 — Investments in Portfolio Securities:  
Investments in portfolio companies consisted  
of the following:

	Cost	Interest	Total	Valuation
<i>Arlington CDC</i>				
Small Loan Guarantee Program consisting of two term loans with interest based on rate paid on assigned certificates of deposit as follows:				
Liz's Fashions, due January, 1990	\$10,000	\$49	\$10,049	\$10,049
New England Tank Co., due April, 1989	16,667	86	16,753	16,753
<i>Bohio Development Corp.</i>				
8% term loan, due in instalments through February, 1988	35,897	3,730	39,627	39,627
8% term loan, due in instalments through May, 1992	17,617	386	18,003	18,003
<i>Boston Bank of Commerce</i>				
8160 sh. Common Stock	136,000	—	136,000	—
372 sh. Pref. Stock Cl. A	400,044	—	400,044	284,500
237 sh. Pref. Stock Cl.B	264,044	—	264,044	263,400
<i>Boston Housing Partnership</i>				
8% term loans, due in equal instalments, May 1989 and May 1990 as follows:				
Dorchester Bay EDC	84,400	2,007	86,407	86,407
Fields Corner Housing Limited Partnership	106,800	1,851	108,651	108,651
Hano Street Limited Partnership	27,150	344	27,494	27,494
NRC Housing Limited Partnership	121,500	351	121,851	121,851
71 Westland Limited Partnership	33,000	73	33,073	33,073
<i>Boston Shipyard Corporation</i>				
12% term loan, due in instalments through May, 1992	500,000	—	500,000	250,000
<i>Brockton CDC</i>				
Small Loan Guarantee Program, with interest based on rate paid on assigned certificate of deposit:				
Plymouth County Medical Lab, term loan due March, 1985	10,000	404	10,404	10,404
<i>Cleghorn NDC</i>				
Small Loan Guarantee Program, consisting of two term loans with interest based on rate paid on assigned certificates of deposit as follows:				
Heritage Cabinets, due in instalments through November, 1990	25,000	113	25,113	25,113
United Auto Electric, due in instalments through November, 1999	24,175	84	24,259	24,259
<i>Chemdesign Corporation</i>				
2,500 sh. Common Stock	50,000	—	50,000	—
11% term loan, due in instalments through December, 1989	200,000	1,833	201,833	201,833
<i>Cybermation, Inc.</i>				
12% term loan, due in instalments through February, 1994	104,721	4,250	108,971	108,971
10% term loan, due in instalments through May, 1986	56,500	4,237	60,737	60,737
<i>Dimock-Bragdon Apartments</i>				
10% term loan, due in instalments through February, 1987	100,000	4,347	104,347	104,347
<i>Family Foodland</i>				
8% term loan, due in instalments through November, 1991	47,588	1,568	49,156	49,156
12% term loan, due in instalments through November, 1993	71,788	3,623	75,411	75,411
Demand loan, interest based on Bank of Boston prime rate	50,000	500	50,500	50,500
12% term loan, due in instalments through October, 1992	10,000	699	10,699	10,699
<i>Franklin County CDC</i>				
Small Loan Guarantee Program with interest based on rate paid on assigned certificate of deposit:				
Carmaster, term loan, due in instalments through July, 1999	13,000	128	13,128	13,128
<i>Greater Roxbury DC</i>				
Small Loan Guarantee Program, with interest based on rate paid on assigned certificate of deposit:				
Classic Shoe Shine, term loan, due in instalments through November, 1989	5,750	—	5,750	—
Forward	\$ 2,521,641	\$ 30,663	\$ 2,552,304	\$ 1,994,366



	Cost	Interest	Total	Valuation
Forward	\$ 2,521,641	\$ 30,663	\$ 2,552,304	\$ 1,994,366
Hilltown CDC				
Small Loan Guarantee Program consisting of seven term loans with interest based on rate paid on assigned certificates of deposit as follows:				
John Coster and Maureen O'Brien, due September, 1987	4,500	23	4,523	23
Softwhere, Inc., due February, 1989	25,000	141	25,141	25,141
Robert Aeschback, due February, 1988	7,162	37	7,199	7,199
The Bed & Breakfast Connection, due December, 1987	5,000	21	5,021	5,021
Amherst Electronic Instruments, due February, 1988	25,000	104	25,104	25,104
Chesterfield General Store, due March, 1990	15,000	75	15,075	15,075
Quiltworks, due April, 1990	24,500	386	24,886	24,886
Lawrence Textile Shrinking Co.				
14% term loan, due in instalments through September, 1989	90,258	1,030	91,288	91,288
Lyman School				
10% term loan, due July, 1986	28,500	—	28,500	28,500
Modular Housing				
8% term loan, due a year after balance of committed loan has been received	14,593	226	14,819	14,819
Municipal Building				
8% term loan, due in instalments through March, 1988	105,100	427	105,527	105,527
8% term loan, due date contingent on receipt of certain additional outside funding, but no later than April, 1986	170,000	680	170,680	170,680
Neighborhood Partnership				
7.56% demand loan	15,700	99	15,799	15,799
New England Soy Dairy				
12% term loan, due in instalments through April, 1987	58,625	885	59,510	59,510
4,470 sh. Common Stock	100,000	—	100,000	75,000
Northeastern Townhouses				
8% term loan, due date contingent on sale of completed units, but no later than October, 1985	250,000	3,334	253,334	253,334
Pierce Building				
8% term loan, due August, 1985	48,450	323	48,773	48,773
8% term loan, due date contingent on sale of completed units, but no later than May, 1990	50,000	333	50,333	50,333
Portuguese American Publications, Inc.				
12% term loan, due in instalments through November, 1995	58,570	11,948	70,518	29,285
27 sh. Common Stock	30,000	—	30,000	—
Practek Associates				
9% term loan, due September, 1985	75,000	2,213	77,213	77,213
11.25% term loan, due in instalments through July, 1987	125,000	5,273	130,273	67,773
16,250 sh. Common Stock	125,000	—	125,000	—
34 Prince Street				
8% term loan, due in instalments through December, 1991	13,856	92	13,948	13,948
South End Press, Inc.				
12% term loan, due in instalments through September, 1987	146,849	23,496	170,345	170,345
Term loan, due in instalments through June, 2002 — 10% through June, 1986 and 15% thereafter	40,000	667	40,667	—
Villa Borinquen				
9% term loan due in instalments through February, 1987	110,530	4,415	114,945	114,945
York Wholesale				
12% term loan, due in instalments through June, 1991	350,000	3,500	353,500	353,500
12% term loan, due in instalments through October, 1985	144,083	1,030	145,113	145,113
45 sh. Common Stock	50,000	—	50,000	50,000
Total	\$ 4,827,917	\$ 91,421	\$ 4,919,338	\$ 4,032,500

Note 4 — Commitments:

Commitments at June 30, 1985 include (a) additional funding to companies listed in Note 3, and (b) amounts to eligible companies on which MCDFC's Board of Directors had voted approval.

(A) Bohio Development Corporation	\$ 24,883	
Boston Housing Partnership	127,150	
Modular Housing	35,407	
		\$ 187,440
(B) Applied Molding	150,000	
Atlantic Clothing	25,000	
Baltimore Brush Building	426,000	
ConTec	150,000	
Hampshire Printed Fabric	100,000	
Industrial Demonstration Project	750,000	
Knight Tool	250,000	
Midtown Plaza (funded in escrow)	164,756	
North End Housing Coop	110,000	
Slattery's	75,000	
Villa Victoria Community Center	120,000	
		2,320,756
Total		\$ 2,508,196

Note 5 — Realized and Unrealized (Gain) Loss on Investments:

The realized loss on liquidated investments and unrealized (gain) loss on investments for the year ended June 30, 1985 was comprised as follows:

	Type	Valuation 6-30-85	Cost or Valuation 6-30-84	Unrealized (Gain) Loss on Investments
Boston Bank of Commerce	1	\$ 547,900	\$ 495,900	\$ (52,000)
Boston Shipyard	2	250,000	500,000	250,000
Classic Shoeshine	2	—	5,750	5,750
Chemdesign Corporation	1	—	50,000	50,000
John Coster and Maureen O'Brien	2	23	4,523	4,500
New England Soy Dairy, Inc.	1	75,000	50,000	(25,000)
Portuguese American Publications, Inc.	2	29,285	26,609	(2,676)
Practek Associates	1	67,773	130,273	62,500
South End Press	2	170,345	147,852	(22,493)
Total		\$ 1,140,326	\$ 1,410,907	\$ 270,581

Types: (1) common stock; (2) notes or debentures

Note 6 — Investment Restrictions:

Chapter 40F, paragraph 4, of the Massachusetts General Laws restricts the utilization of the proceeds of MCDFC's original \$10,000,000 stock issuance (less losses on portfolio company investments) to either investments in eligible enterprises as defined in the statute (primarily businesses located in economically depressed areas of Massachusetts) or securities eligible under Section 38 of Chapter 29 (primarily high-grade bonds, notes or bank instruments). At June 30, 1985, assets subject to the aforementioned investment restrictions amounted to \$6,083,306.

Note 7 — Consulting Agreement:

On July 1, 1984, MCDFC entered into a consulting agreement with Massachusetts Community Economic Development Assistance Corporation (CEDAC), for the period July 1, 1984 through June 30, 1985. CEDAC is responsible for providing MCDFC with training and other technical assistance. Amounts expensed for 1985 and 1984 were \$63,312 and \$102,804 respectively.

Note 8 — Deferred Compensation Plan:

MCDFC has a deferred compensation plan covering substantially all employees. Terms of the agreement require minimum annual contributions of 10% of salaries. Contributions charged to operations in 1985 and 1984 were \$20,961 and \$22,558 respectively.

Note 9 — Leases:

Effective March 1, 1984, MCDFC leased office space under a three-year operating lease. Terms of the lease require minimum annual rental payments of \$58,125, and provide for additional rental payments for increases in real estate taxes and operating expenses. Rental expense charged to operations amounted to \$60,891 in 1985.



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JUL 28 1990

200 CAMBRIDGE STREET  
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